

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1985 - HB 2027

February 25, 2020

SUMMARY OF ORIGINAL BILL: Extends the validity of enhanced handgun carry permits (EHCP) issued or renewed on or after January 1, 2021 to the lifetime of the permit holder. Repeals current Lifetime EHCP.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue –

\$1,785,600/FY20-21/Handgun Permit Division
\$3,571,200/Each Year FY21-22 through FY27-28/Handgun Permit Division
\$5,875,500/FY28-29/Handgun Permit Division
\$8,179,800/FY29-30 and Subsequent Years/Handgun Permit Division

Increase State Expenditures –

\$200,000/FY20-21/Handgun Permit Division

Decrease State Expenditures –

\$78,000/FY28-29/Handgun Permit Division
\$155,900/FY29-30 and Subsequent Years/Handgun Permit Division

Decrease Local Revenue –

\$27,700/FY28-29
\$55,300/FY29-30 and Subsequent Years

Decrease Local Expenditures –

\$13,800/FY28-29
\$27,500/FY29-30 and Subsequent Years

SUMMARY OF AMENDMENT (014980): Deletes and replaces all language after the enacting clause, such that the only substantive changes are removing the \$50 renewal application fee for permit holders applying for renewal prior to January 1, 2021 and removing the \$100 application fee for new permit holders.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease State Revenue -

\$6,129,600/FY20-21/Handgun Permit Division
\$1,241,600/FY20-21/TBI
\$12,259,200/FY21-22 and Subsequent Years/Handgun Permit Division
\$2,483,100/FY21-22 and Subsequent Years/TBI

Increase State Expenditures –

\$200,000/FY20-21/Handgun Permit Division
\$31,100/FY20-21/TBI
\$62,300/FY21-22 and Subsequent Years/TBI

Decrease State Expenditures –

\$78,000/FY28-29/Handgun Permit Division
\$155,900/FY29-30 and Subsequent Years/Handgun Permit Division

Decrease Local Revenue –

\$403,500/FY20-21
\$807,100/Each Year FY21-22 through FY27-28
\$834,700/FY28-29
\$890,000/FY29-30 and Subsequent Years

Decrease Local Expenditures –

\$13,800/FY28-29
\$27,500/FY29-30 and Subsequent Years

Assumptions for the bill as amended:

Renewed Enhanced Handgun Carry Permits

- Based on the figures of the previous five fiscal years, the Department of Safety (DOS) issues an average of 53,805 new EHCP each year and 92,172 EHCP renewals each year.
- The cost of a new EHCP is \$100. The cost of a renewed EHCP is \$50.
- A current EHCP is valid for eight years. Therefore, under this legislation, the last EHCP will expire on December 31, 2028.
- However, this legislation further deletes the requirement that a permit holder remit a \$50 renewal application fee, if applying for renewal prior to January 1, 2021.
- Because of the January 1 effective date, a half year impact will occur in FY20-21; therefore, the first full year impact will be in FY21-22.
- The total decrease in state revenue to the Handgun Permit Division (HPD) in renewals will be \$2,304,300 $[(92,172 \times \$50) \times 50\%]$ in FY20-21.
- The total decrease in state revenue to the HPD in renewals will be \$4,608,600 $(92,172 \times \$50)$ in FY21-22 and subsequent years.

New Enhanced Handgun Permits

- Pursuant to Tenn. Code Ann. § 39-17-1351(p), from every \$100 new permit fee paid, \$15 is allocated to the applicable sheriff's department to cover the cost of a local background check; \$15 is allocated to the Tennessee Bureau of Investigation (TBI) for updating and maintaining their databases; \$31.15 is allocated to the TBI to cover the cost of fingerprint vendors, TBI background checks, and Federal Bureau of Investigation (FBI) fingerprint background checks; the remaining \$38.85 is retained by the HPD of DOS to specifically fund the administrative expenses of the HPD.
- Under this legislation, that fee no longer stands.
- Because of the January 1 impact date, a half year impact will occur in FY20-21; therefore, the first full year impact will be in FY21-22.
- There will be a decrease in local government revenue of \$403,538 $[(53,805 \times \$15) \times 50\%]$ in FY20-21.
- There will be a recurring decrease in local government revenue of \$807,075 $(53,805 \times \$15)$ in FY21-22 and subsequent years.
- There will be a decrease in state revenue to the TBI of \$1,241,550 $\{[(53,805 \times (\$15 + \$31.15))] \times 50\%\}$ in FY20-21.
- There will be a recurring decrease in state revenue to the TBI of \$2,483,101 $[53,805 \times (\$15 + \$31.15)]$ in FY21-22 and subsequent years.
- There will be a decrease in state revenue to the HPD of \$1,045,162 $[(53,805 \times \$38.85) \times 50\%]$ in FY20-21.
- There will be a recurring decrease in state revenue to the HPD of \$2,090,324 $(53,805 \times \$38.85)$ in FY21-22 and subsequent years.
- As there is not application fee per this legislation, it can be reasonably assumed that a percentage of those that would have applied for a Concealed Handgun Carry Permit (CHCP) with the \$65 application fee would instead apply for an EHCP.
- CHCP first began being issued on January 1, 2020. A total of 5,217 permits were issued in the month of January.
- It can be reasonably assumed that this figure is exponentially greater than the imminent months' averages will be. Estimating that this will level out to an average of one-quarter of January's figures, each month, 15,651 $[(5,217 \times 25\%) \times 12 \text{ months}]$ new CHCPs will be issued annually.
- It can be reasonably estimated that at least 20 percent of future CHCP applicants will instead apply for a new EHCP under this legislation.
- There will be a decrease in state revenue to the HPD of \$101,732 $\{[(15,651 \times 20\%) \times \$65] \times 50\%\}$ in FY20-21.
- There will be a recurring decrease in state revenue to the HPD of \$203,463 $[(15,651 \times 20\%) \times \$65]$ in FY21-22 and subsequent years.

Lifetime Enhanced Handgun Permits

- This legislation deletes the current Lifetime EHCP.
- Based on the figures of the previous five fiscal years, DOS issues an average of 17,856 new Lifetime EHCP each year.
- The current cost of a Lifetime EHCP is \$300.

- It can reasonably assumed that those expected annual 17,856 people would instead apply for and be issued a regular EHCP, under this legislation.
- Thus, there will be a recurring decrease in state revenue to the HPD of \$5,356,800 ($\$300 \times 17,856$) in FY21-22 and subsequent years.
- There will be a half-year impact due to the January 1, 2021 date, resulting in a decrease in state revenue to the HPD of \$2,678,400 ($\$5,356,800 \times 50\%$) in FY20-21.

Local Government Contracting Agencies

- Pursuant to Tenn. Code Ann. § 39-17-1351(q)(1), DOS is authorized to contract with a local government agency for the provision of any service related to the renewal of handgun carry permits, subject to applicable contracting statutes and regulations. A contracting agency is authorized to charge an additional fee of \$4.00 for each renewal application, which shall be retained by the agency for administrative costs.
- This law went into effect on July 1, 2019. There are currently 45 contracting local government agencies.
- There are no current figures of how many EHCP renewals they have processed. However, pursuant to Tenn. Code Ann. § 55-50-331(a), DOS is authorized to contract for the provision of any service related to the issuance, examination and renewal of driver licenses subject to applicable contracting statutes and regulations. Currently, these contracting entities consist of forty-five county clerk offices, three cities or towns, and one AAA Auto Club. In FY17-18, DOS contracted entities processed 16.52 percent of the eligible transactions of driver license duplicates and renewals.
- It can be reasonably assumed that these 45 contracting local government agencies will process at least 15 percent, or 13,826, of all EHCP renewals.
- It is further assumed that all contracting agencies charge the additional \$4.00 fee as authorized.
- As they are only authorized to issue renewals, this will not fiscally impact local governments until January 1, 2029.
- The mandatory decrease in revenue to local governments will be \$27,652 [$(13,826 \times \$4.00) \times 50\%$] in FY28-29 and \$55,304 ($13,826 \times \4.00) in FY29-30 and subsequent years.

Expenditures

- Based on information provided by DOS and confirmed by third-party contract vendors responsible for the handgun carry permit systems, the one-time increase in state expenditures for a systems modification to reflect the changes to the EHCP is estimated to be \$200,000 in FY20-21.
- As it is assumed that 20 percent, or 3,130, of future CHCP applicants will instead apply for a new EHCP under this legislation, there will be an increase in related expenditures.
- The TBI reports a cost for vendor fingerprinting expense of \$8.65 per background check. The recurring increase in TBI vendor fingerprint expenditures is estimated to exceed \$27,075 ($3,130 \times \8.65).
- The TBI reports a cost of \$11.25 payable to the FBI for each FBI national background check conducted on each initial permit application. The recurring increase in TBI expenditures made to the FBI is estimated to exceed \$35,213 ($3,130 \times \11.25).

- The total increase in state expenditures for TBI is estimated to exceed \$31,144 $[(\$27,075 + \$35,213) \times 50\%]$ in FY20-21.
- The total recurring increase in state expenditures for TBI is estimated to exceed \$62,288 $(\$27,075 + \$35,213)$ in FY21-22 and subsequent years.
- In addition, there will be a recurring decrease in state expenditures as a result of producing fewer EHCP cards. The printing cost to produce one handgun carry permit is \$1.99.
- The decrease in local government printing expenditures is estimated to be \$13,757 $[(13,826 \times \$1.99) \times 50\%]$ in FY28-29 and \$27,514 $(13,826 \times \$1.99)$ in FY29-30 and subsequent years.
- The decrease in state printing expenditures to the HPD is estimated to be \$77,954 $\{[(92,172 - 13,826) \times \$1.99] \times 50\% \}$ in FY28-29 and \$155,909 $[(92,172 - 13,826) \times \$1.99]$ in FY29-30 and subsequent years.
- This legislation requires DOS to perform a name-based criminal history record check every four years after the issuance of the EHCP. This check is executed by DOS at no cost.

Total Impact

- The total decrease in state revenue to the HPD in FY20-21 is \$6,129,594 $(\$2,304,300 + \$2,678,400 + \$1,045,162 + \$101,732)$.
- The total decrease in revenue to the TBI in FY20-21 is \$1,241,550.
- The total recurring decrease in state revenue to the HPD in FY21-22 and subsequent years is \$12,259,187 $(\$4,608,600 + \$5,356,800 + \$2,090,324 + \$203,463)$.
- The total recurring decrease in state revenue to the TBI in FY21-22 and subsequent years is \$2,483,101.
- The total increase in state expenditures to the HPD in FY20-21 is \$200,000.
- The total increase in state expenditures to the TBI in FY20-21 is \$31,144.
- The total recurring increase in state expenditures to the TBI in FY21-22 and subsequent years is \$62,288.
- The total decrease in state expenditures to the HPD in FY28-29 is \$77,954.
- The total decrease in state expenditures to the HPD in FY29-30 and subsequent years is \$155,909.
- The total mandatory decrease in revenue to local governments in FY20-21 is \$403,538.
- The total mandatory decrease in revenue to local governments in FY21-22 through FY27-28 is \$807,075.
- The total mandatory decrease in revenue to local governments in FY28-29 is \$834,727 $(\$27,652 + \$807,075)$.
- The total recurring mandatory decrease in revenue to local governments in FY29-30 and subsequent years is \$890,031 $(\$55,304 + \$834,727)$.
- The total mandatory decrease in expenditures to local governments in FY28-29 is \$13,757.
- The total mandatory decrease in expenditures to local governments in FY29-30 is \$27,514.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/jmg